



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 28, 2005

### **Reconciliation Recommendations of the House Committee on the Judiciary**

*As approved by the House Committee on the Judiciary on October 27, 2005*

#### **SUMMARY**

The legislation would impose a new visa fee, and authorize several new judgeships. CBO estimates that enacting the House Judiciary Committee's reconciliation instructions would reduce direct spending by \$76 million in 2006, \$428 million over the 2006-2010 period, and \$868 million over the 2006-2015 period.

The legislation would impose a fee of \$1,500 on multinational employers that seek temporary admission to the United States for certain intracompany transferees, known as L-1 nonimmigrants, who work in managerial or executive capacities or who provide services that involve specialized knowledge.

The legislation also would authorize 93 new permanent and temporary judgeships and extend the authority for specific judgeships in various circuit, district, and bankruptcy courts. It would modify the composition of the Ninth Circuit Court by redistributing states in that court among the Ninth Circuit and a newly created, Twelfth Judicial Circuit.

The legislation contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no cost on state, local, or tribal governments.

The legislation would impose a new private-sector mandate, as defined in UMRA, by requiring employers to pay when a petition is made for an L-1 visa allowing their foreign employees to transfer to work for companies in the United States. CBO estimates that the direct cost of complying with the mandate would fall below the annual threshold established by UMRA (\$123 million in 2005, adjusted annually for inflation) in each of the next five years.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the legislation is shown in the following table. The effects of this legislation fall within budget function 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars											2006-	2006-
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2010	2015	
CHANGES IN DIRECT SPENDING													
L-1 Nonimmigrant Visa Fees													
Estimated Budget Authority	-80	-105	-105	-105	-105	-105	-105	-105	-105	-105	-500	-1,025	
Estimated Outlays	-80	-105	-105	-105	-105	-105	-105	-105	-105	-105	-500	-1,025	
Additional Judgeships <sup>a</sup>													
Estimated Budget Authority	4	17	17	17	17	17	17	17	17	17	72	157	
Estimated Outlays	4	17	17	17	17	17	17	17	17	17	72	157	
Total													
Estimated Budget Authority	-76	-88	-88	-88	-88	-88	-88	-88	-88	-88	-428	-868	
Estimated Outlays	-76	-88	-88	-88	-88	-88	-88	-88	-88	-88	-428	-868	

- a. By authorizing new judgeships and creating a new circuit court the legislation would also authorize administrative costs associated with those judgeships. CBO estimates such costs would exceed \$400 million over the 2006-2010 period, subject to appropriation of the necessary amounts.

## BASIS OF ESTIMATE

For this estimate CBO assumes the legislation will be enacted in December 2005.

### L-1 Nonimmigrant Visa Fees

The legislation would impose a fee of \$1,500 on multinational employers that seek temporary admission to the United States for certain intracompany transferees, known as L-1 nonimmigrants. Employers would have to pay the fee for each employee who is admitted to the United States as an L-1 nonimmigrant, including individuals who change their nonimmigrant status to L-1, and for each employee who extends L-1 status for the first time. The fee would not be charged for subsequent extensions.

Based on information from the Department of State and the Department of Homeland Security about the number of U.S. admissions and extensions for L-1 nonimmigrants in

recent years, CBO estimates that the new fee would apply to about 70,000 persons annually. We expect the added fee would cause only a minor decrease in such admissions and extensions because the fee is primarily paid for by major employers. We estimate that enacting this legislation would increase collections by \$80 million in fiscal year 2006 and by about \$1 billion over the 2006-2015 period.

Similar to the budget classification of other visa fees, the bill would direct these collections to be deposited in the Treasury as offsetting receipts (a credit against direct spending). The new fees collected under this legislation would not be available for spending unless provided in an appropriations act.

### **Additional Judgeships - Direct Spending**

The legislation would authorize 12 new circuit judgeships, 56 new district judgeships, and 25 new Bankruptcy judgeships. Those figures include both permanent and temporary judgeships. Based on information from the Administrative Office of the United States Courts (AOUSC) about the cost of benefits for judges, and using the current law salaries of judges, CBO estimates that the mandatory costs of those judgeships would be \$71 million over the 2006-2010 period and \$156 million over the 2006-2015 period. That estimate does not include any cost for a provision that would convert of 17 bankruptcy judgeships from temporary to permanent status. The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (Public Law 109-8) created those temporary judgeships with a term through 2015, thus converting them to permanent status would not affect federal costs over the next 10 years.

### **Spending Subject to Appropriation**

The 93 judgeships authorized in the legislation would, require administrative support, and office space. Based on information from the AOUSC, CBO expects that discretionary expenditures for support costs associated with each judge would amount to \$560,000 a year (in 2006 dollars). In addition, each judge would need equipment and furniture. CBO estimates that the administrative expenses of the additional judgeships in the legislation would cost \$9 million in fiscal year 2006 and \$270 million over the 2006-2010 period.

The additional District judgeships in the bill would also require staffing from the U.S. Marshals Service for court security and prisoner transportation. Based on information from the U.S. Marshals Service, CBO estimates that under the legislation the agency would provide 180 deputy marshals, 45 support staff, and an additional security inspector. CBO

estimates the additional personnel would cost \$10 million in fiscal year 2006 and about \$110 million over the 2006-2010 period.

The legislation would redistribute the states under the jurisdiction of the Ninth Judicial Circuit among a modified Ninth Circuit and a new Twelfth Circuit. Based on information from the AOUSC, the discretionary expenditures associated with the new Twelfth Circuit would include severance pay for current staff unable to relocate, relocation expenses for some current staff and equipment, and additional staff and equipment that are necessary for responsibilities of each Judicial Circuit. CBO estimates that such additional staff and support for the new Twelfth Circuit would cost \$6 million in fiscal year 2006 and \$27 million over the 2006-2010 period.

CBO cannot estimate the cost of new office space for the new Twelfth Judicial Circuit, because the legislation does not specify where the new court would be located. According to the AOUSC, two possible locations would involve renovating and using an existing facility in Seattle, Washington, or constructing a new facility in Phoenix, Arizona.

#### **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

This legislation contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

#### **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

This legislation would impose a new private-sector mandate, as defined in UMRA, by requiring employers to pay for an L-1 visa allowing their foreign employees to transfer to work for companies in the United States. The bill would require such employers to pay a \$1,500 fee when a petition is made for a transfer or for a first time extension of an L-1 visa. The bill also would prohibit employers from passing along the fee to their L-1 visa employees. The cost of the mandate would be the total fees paid by those employers. Based on information from the Department of State, CBO estimates that the direct cost of complying with the mandate would range from approximately \$80 million in 2006 to \$105 million in 2010, and thus would fall below the annual threshold established by UMRA (\$123 million in 2005, adjusted annually for inflation) in each of the next five years.

## **PREVIOUS CBO ESTIMATE**

On October 21, 2005, CBO transmitted a cost estimate for H.R. 3648, a bill to impose additional fees with respect to immigration services for intracompany transferees, as ordered reported by the House Committee on the Judiciary on September 29, 2005. Like the provision described above for this legislation, H.R. 3648 would impose a fee of \$1,500 on employers that hire L-1 nonimmigrants and CBO estimated that enacting that bill would increase offsetting receipts by \$80 million in fiscal year 2006 and by about \$1 billion over the 2006-2015 period.

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